GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2221
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HEAVY SELLING OF SHARES
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Will the Minister of FINANCE be pleased to state:

(a) whether Foreign Institutional Investors (FIIs), who have invested huge capital in the Indian Stock market have resorted to heavy selling of their share during the recent time;

(b) if so,the details thereof for the last two years;

(c) the impact of such heavy selling of shares by FIIs on Indian economy and value of the rupee;and

(d) the steps taken/being taken by the Government of India in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The net inflows by way of FII investment during the calendar year 2007 was Rs.80,914.6 crore.In the first eleven months of 2008 there has been a net out flow to the tune of Rs.44,061.6 crores.

(c): The Indian economy and the value of rupee is impacted by a large number of factors − both domestic and external. Heavy selling of shares by FIIs may be one of the factors that contributed through the declining trend in sensex and depreciation in the value of the rupee.

(d): The Government,Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) have interalia taken the following measures in this regard:

1.The cumulative FII investment limits in corporate debt has been increased to US $ 6 billion while that in Government securities was increased to US$ 5 billion.

2.Condition provided in regulation 15(2) of SEBI FII regulations pertaining to restrictions of 70:30 ratio of investment in equity and debt respectively has been abolished.

3.Restriction on issue of PNs by FIIs against securities, including derivatives as underlying imposed in October 2007 has been removed in October 2008.

4.Broad based definition has been widened to mean a fund with twenty investors with a single investor not holding more than 49% as against earlier limit of 10%.

5.Perpetual registration granted to FIIs subject to payment of fees.

6.RBI has taken steps to augment rupee and dollar liquidity the details of which are available on RBI website at http://www.rbi.org.in/.